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Tomatoes and Products

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Report Highlights:

Fresh tomato production production forecast for MY 20001/02 was revised slightly upward, while tomato for the processing industry was revised downward. Fresh tomato exports for MY 2001/02 are expected to be slightly under MY 2000/01 exports, due to lower international prices. Tomato paste production was revised downward and imports were revised upward for MY 2002/03.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

ECONOMIC SITUATION AND OUTLOOK

The spill over of the U.S. recession into Mexico has negatively affected consumer purchasing power and trade in various sectors of the economy. Although GDP growth for 2001 fell to 0.3 percent, private economists project a real GDP growth rate of 1.5 percent for 2002. These same private analysts estimate that this year's economic performance will be slow, due to inflationary pressure. Although 2002 inflation estimates are estimated to be lower than in 2001, the Government of Mexico's (GOM) early inflation estimates of 4.5 percent are now considered by private analysts to be lower than previously expected; experts are now placing inflation at 4.8 percent, based on the expectation of higher residential electrical tariffs. One important factor that could limit the Mexican economic growth is related to the oil sector. This sector has also been affected, as revenue from oil exports has fallen as a result of low international prices. During January 2002, the Mexican oil price fell to approximately US\$14.90 per barrel, under the US\$15.50 per barrel figure upon which the GOM based its budget projections. Government spending and the trade balance has been negatively impacted by the drop in oil prices. On January 1, 2002, the Mexican Congress approved the 2002 budget, which consisted of a US\$7.5 billion tax package intended to boost government revenues and reduce dependence on revenues from oil exports. Despite this pessimistic outlook, private analysts consider that the Mexican economic activity will begin to recover by the second semester, as Mexico has maintained a macroeconomic stability. Also, Mexico was recently granted investment status by Standards and Poors, which allows for more investment into the country.

TOMATO SITUATION

Fresh tomato production forecasts for MY 2001/02 and 2000/01 (October/September) were revised slightly upward from previous estimates, while tomato for processing production was revised downward. Growers anticipate that exports for MY 2001/02 will be lower compared to MY 2000/01 due to lower international prices. For several weeks, winter tomato exports faced low international prices -- lower than then reference price of US\$5.27 per carton. Tomato paste production for MY 2002/03 and 2001/02 was revised downward, due to low international prices. The industry finds it more profitable to import paste to meet domestic demand than to produce it. Therefore, tomato paste exports were also revised downward for both marketing years.

SECTION II. STATISTICAL TABLES

FRESH TOMATO PRODUCTION TABLE

PSD Table						
Country	Mexico					
Commodity	Fresh Tomatoes			(HA) (MT)		
	Revised 1999		Preliminary 2000		Forecast 2001	
	Old	New	Old	New	Old	New
Market Year Begin	10/1999		10/2000		10/2001	
Plnt For Fresh Consump	70922	70922	71900	73210	72500	73000
Plnt For Processing	5000	5000	4000	3000	3500	2500
TOTAL Area Planted	75922	75922	75900	76210	76000	75500
Harv. For Fresh Cons.	69910	69910	70845	71638	71400	71900
Harv. For Processing	4800	4800	3900	2800	3400	2400
TOTAL Area Harvested	74710	74710	74745	74438	74800	74300
Fresh Sale Production	1942360	1942360	2014500	2037200	2036000	2048000
Processing Production	190000	190000	156000	112000	136000	96000
TOTAL Production	2132360	2132360	2170500	2149200	2172000	2144000
TOTAL SUPPLY	2132360	2132360	2170500	2149200	2172000	2144000

TOMATO PASTE PRODUCTION TABLE

PSD Table						
Country	Mexico					
Commodity	Tom. Paste,28-30% TSS Basis			(MT) (MT, Net Weight)		
	Revised 2000		Preliminary 2001		Forecast 2002	
	Old	New	Old	New	Old	New
Market Year Begin	03/2000		03/2001		03/2002	
Deliv. To Processors	150000	150000	115000	100000	107000	80000
Beginning Stocks	0	0	0	0	0	0
Production	21000	21000	17000	14000	16000	11000
Imports	17183	17183	17000	22000	17000	24000
TOTAL SUPPLY	38183	38183	34000	36000	33000	35000
Exports	7176	7176	6000	5000	6000	4000
Domestic Consumption	31007	31007	28000	31000	27000	31000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	38183	38183	34000	36000	33000	35000

TRADE MATRICES

<i>Tomatoes</i>		UNITS: <i>METRIC TONS</i>	
<i>EXPORTS FOR 2001 TO:</i>		<i>IMPORTS FOR 2001 FROM:</i>	
<i>U.S.</i>	768,813	<i>U.S.</i>	48,799
OTHER		OTHER	
CANADA	1,350		0
TOTAL OF OTHER	1,350	TOTAL OF OTHER	0
OTHERS NOT LISTED	1,346	OTHERS NOT LISTED	0
GRAND TOTAL	771,509	GRAND TOTAL	48,799

SOURCE: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, December 2001.

<i>Tomato Paste</i>		UNITS: <i>METRIC TONS</i>	
<i>EXPORTS FOR 2001 TO:</i>		<i>IMPORTS FOR 2001 FROM:</i>	
<i>U.S.</i>	4,578	<i>U.S.</i>	15,516
OTHER		OTHER	
UNITED KINGDOM	94	CHILE	5,136
CUBA	50	CHINA	1,928
TOTAL OF OTHER	144	TOTAL OF OTHER	7,064
OTHERS NOT LISTED	104	OTHERS NOT LISTED	164
GRAND TOTAL	4,826	GRAND TOTAL	22,744

SOURCE: Global Trade Information Services, Inc. World Trade Atlas, Mexico Edition, December 2001.

FRESH TOMATO PRICES

WHOLESALE TOMATOES PRICES Pesos/Kilogram			
Month	2001	2002	Change %
January	7.12	11.90	67.13
February	5.13	4.72	(7.99)
March	7.43	8.38	12.79
April	5.29	7.22	36.48
May	8.33	10.00*	20.05
June	8.07	N/A	N/A
July	7.37	N/A	N/A
August	10.08	N/A	N/A
September	9.12	N/A	N/A
October	10.40	N/A	N/A
November	9.75	N/A	N/A
December	9.25	N/A	N/A

* AS OF FIRST WEEK OF MAY, 2002.

SOURCE: SERVICIO NACIONAL DE INFORMACION DE MERCADOS

AVERAGE EXCHANGE RATE 2001 USD\$1.00 = \$9.35 PESOS

EXCHANGE RATE (MAY 8, 2002) USD\$1.00= \$9.48 PESOS

TARIF SCHEDULES

NAFTA TOMATO TARIFF SCHEDULE		
H.S. 0702.00.99 TOMATOES , FRESH OR CHILLED		
TARIFF SEASON	TARIFF - CTS/KG	SAFEGUARD BASE (MT)
Jan. 1, 1994 - Feb. 28, 1994	2.97	No Limit
Nov. 15, 1994 - Feb. 28, 1995	2.64	172,300,000
Nov. 15, 1995 - Feb. 29, 1996	2.31	177,469,000
Nov. 15, 1996 - Feb. 28, 1997	1.98	182,793,000
Nov. 15, 1997 - Feb. 28, 1998	1.65	188,277,000
Nov. 15, 1998 - Feb. 28, 1999	1.32	193,925,000
Nov. 15, 1999 - Feb. 29, 2000	0.99	199,743,000
Nov. 15, 2000 - Feb. 28, 2001	0.66	205,735,000
Nov. 15, 2001 - Feb. 28, 2002	0.33	211,907,000
Nov. 15, 2002 - Feb. 28, 2003	0.00	218,264,000
Beginning March 1, 2003, quantitative limitations shall cease to apply.		

NAFTA TOMATO TARIFF SCHEDULE		
H.S. 0702.00.99 TOMATOES , FRESH OR CHILLED		
TARIFF SEASON	TARIFF - CTS/KG	SAFEGUARD BASE (MT)
March 1, 1994 - July 14, 1994	4.14	165,500,000
March 1, 1995 - July 14, 1995	3.68	170,485,000
March 1, 1996 - July 14, 1996	3.22	175,579,000
March 1, 1997 - July 14, 1997	2.76	180,846,000
March 1, 1998 - July 14, 1998	2.30	186,272,000
March 1, 1999 - July 14, 1999	1.84	191,860,000
March 1, 2000 - July 14, 2000	1.38	197,616,000
March 1, 2001 - July 14, 2001	0.92	203,544,000
March 1, 2002 - July 14, 2002	0.46	209,650,000
Beginning in calendar year 2003 quantitative limitations shall cease to apply.		

Note: Includes all tomato varieties except cherry tomatoes. Cherry tomatoes tariffs under NAFTA are duty free since January 1, 1998.

NAFTA TOMATO PASTE TARIFF SCHEDULE	
H.S. 2002.90.99 TOMATO PASTE	
Year	Duty
1998	5.75
1999	4.60
2000	3.40
2001	2.30
2002	1.10
2003	0.00
Tomato paste imports are subject to a 20% duty for all non-NAFTA suppliers	

SECTION III. NARRATIVE ON SUPPLY & DEMAND, POLICY & MARKETING

FRESH TOMATOES

PRODUCTION

Fresh tomato production forecasts for marketing years 2000/01 and 2001/02 (October/September) were revised slightly upward from previous estimates. For both marketing years, area planted for fresh consumption increased while area planted for processing decreased, due to less utilization by the processing industry. Producers in Sinaloa and Baja California, the main producing states for the winter and summer cycles respectively, planted almost the same area for tomatoes compared to MY 2000/01. Some producers in Sinaloa, however, had a slow start at the beginning of the cycle in November/ December, due to low temperatures, and planted slightly less area compared to MY 2000/01 area. There were also some swings in temperature during the harvesting time that somewhat affected tomato ripening. Area planted for fresh consumption for MY 2001/02 was revised upward to 73,000 hectares and production is expected at 2.04 million metric tons (MMT). This increase is a result of less area devoted to tomatoes for processing purposes. The same applies for the MY 2000/01 increase in area planted for fresh tomato production. Data for MY 1999/00 remains unchanged.

CONSUMPTION

The tomato consumption forecast for MY 2001/02 is expected to be slightly higher than previously forecast, because of lower market prices and higher demand. Final tomato consumption, however, depends on tomato exports to the United States because domestic consumption tends to be a residual after exports. Prices are also affected by this situation as they were in January when exports to the U.S. market were at their highest and wholesale tomato prices reached \$16.5/kg (US\$1.73/kg). On the other hand, when exports slowed down in February, prices went down close to \$4.85/kg (US\$0.51/kg). Consumption estimates for MY 2000/01 are expected to be lower than previously forecast, due to larger volumes of tomatoes exported and slightly lower demand. When fresh market prices are attractive, tomatoes for processing are diverted to the fresh market, which is what happened for MY 2000/01 and 2001/02.

TRADE

Exporters indicate that winter tomato exports encountered price problems during the season. During several weeks from January to April, Florida tomato prices were under the reference price (US\$5.27 per 25 pound box), forcing Mexican tomatoes out of the market. Mexican growers estimate that those prices were unrealistically low, even considering freight prices to far away places like California. Some producers sold at a loss, returned their product to the domestic market, used it as livestock feed, or left it unharvested. Oversupplies from Florida reportedly caused a drop in the international market. By the end of April 2002, export prices had gradually rebounded from US\$5.27 to US\$12 per 25 pound box. Growers have indicated that MY 2001/02 tomato exports are expected to be under MY 2000/01 exports. According to Mexican trade data, tomato exports for MY 2000/01 were 807,586 MT compared to 684,899 MT of MY 1999/2000.

The USTR agreed to extend the Tomato Suspension Agreement between Mexico and the United States. According to USTR, this agreement has been working fairly well. However, the Mexican producers indicate that they have encountered two main complications. As the agreement was signed between Mexican producers, "other" exporters consequently have had no obligation to respect the reference price, and have exported tomatoes under the agreed-upon reference price, which has damaged the Mexican producers' credibility. Mexican producers also allege that in the last two or three years Florida producers have sold tomatoes well below that reference price.

Imports of fresh tomatoes from the United States represent a small portion of fresh consumption in Mexico. According to Mexican data, imports for MY 1999/00 were 41,225 MT and for MY 2000/01 imports were 35,121 MT. Imports for MY 2001/02 are expected to be in the same range as in the past two years. Data from the U.S. Census, however, report tomato exports to Mexico at 27,471 MT for MY 1999/00 and 30,495 MT for MY 2000/01. Traders indicate that imports will continue, due to attractive import prices. However, the final figure for tomato imports will depend on the recovery of Mexico's economy, and the exchange rate, which had been relatively strong until May, when the peso began to fall against the dollar. Promotional campaigns have focused on technical knowledge on proper tomato handling, point of sale material, and supermarket promotions. For 2002, the promotional campaigns will be concentrated in the northern border cities and Mexico City. The focus will be to provide technical assistance to keep tomatoes in good condition at the point of sale. Tomato tariff classification numbers are 07.02.002, 07.02.004, 07.02.006.

Under NAFTA, Mexico does not have a safeguard mechanism for tomatoes. The U.S., however, has a safeguard mechanism for tomato imports from Mexico. See Section II for the NAFTA Tomato Tariff Phase-Out Schedule for both the U.S. and Mexico.

TOMATO PASTE

PRODUCTION

According to industry sources, tomato paste production in Mexico for MY 2001/2002 and 2002/03 decreased, due to increased costs of production and lower international prices. Therefore, data for tomatoes delivered for processing and tomato paste production was revised downward for MY 2001/02 and 2002/03. The industry indicated that importing tomato paste from the United States, China and Chile was less expensive than producing in Mexico, thus forcing Mexican companies to reduce production. For MY 2002/03, the situation has been critical as some companies are completely stopping production and importation of tomato paste for processing into other products. Tomato paste production data for MY 2000/01 remains unchanged.

Therefore, data for area planted and harvested for processing tomatoes for MY 2000/01 and 2001/02 were revised downward, following the trend in declining tomato paste production. As always, the final area harvested for processing purposes will depend on the demand for fresh tomatoes in the domestic and international markets. When there is a high demand for fresh tomatoes for the export market, some processing tomatoes are diverted and end up either in the domestic fresh market or the fresh export market. When tomato prices for the export

market are low, they are available for the processing industry at good prices; however, if there is low international demand for tomato paste, the processing industry cannot take advantage of the situation. Most plants operate from March through June. Tomato paste production data are difficult to obtain because they are not officially published and only a few producers provide accurate partial data.

CONSUMPTION

Note: The tomato paste consumption data includes domestic production and tomato paste imported by the paste industry and the dehydration industry. According to industry sources, all of the dehydrated product is exported.

According to the industry, tomato paste consumption has been very slow over the last three marketing years. The domestic market acted as a buffer for oversupplies of canned tomato paste, when companies were producing normally. But, now that companies have reduced tomato paste production, the market demand has to be covered by larger imports. The forecast for tomato paste consumption for MY 2001/02 and 2002/03 was revised upward, due to higher demand. The consumption estimate for MY 2000/01 remains unchanged.

Due to attractive international prices, the dehydrated tomato industry imported more tomato paste than expected for dehydration purposes during MY 2001/02. Because of similar prevailing prices, this industry is expected to import similar volumes during MY 2002/03. All of the dehydrated product is exported. High capital costs and the lack of warehouses encourage processors to sell excess supplies into the domestic market rather than maintain inventories.

TRADE

As the United States has been increasing tomato paste exports and China's access to the international market with high levels of production have lowered international prices, Mexico's possibilities of increasing its tomato paste exports have dwindled. As production has been decreasing, so have exports. Therefore, Mexican tomato paste exports for MY 2001/02 were revised downward, as low international prices forced the Mexican industry to reduce production. As the industry finds that it is more profitable to import tomato paste, exports for MY 2002/03 are forecast to be even lower. The main markets for Mexican tomato paste are still the United States and South America.

Tomato paste imports for MY 2002/03 were revised upward to meet expected demand from the domestic market, as the industry faces a decrease in production. Due to lower international prices, more imported product is covering domestic demand. Import data for MY 2001/02 was also revised upward since low international prices forced the Mexican industry to lower production. Imports include tomato paste destined for the dehydration industry. Tomato paste imports were on average US\$0.27 to \$0.28/lb during 2001, whereas export prices were three or four cents/lb more. These import prices were even lower compared to 2000 prices of US\$0.29 to \$0.31/lb of tomato paste. Approximately 5,000 to 6,000 MT of imported tomato paste are destined for the dehydration industry, and the rest is for domestic consumption. This industry imports paste and exports tomato powder.

Tomato paste imports are subject to a 20 percent duty for all non-NAFTA suppliers. The tariff classification

code is 20.02.90.99. For 2002, the duty applied to imports from the United States is 1.10 percent. For the tariff phase out schedule under NAFTA, see Section II.